Farmers and a Stable Economy

SEVEN-POINT PROGRAM

1. We must, through heavier taxes, keep personal and corporate profits at a low, reasonable rate.
2. We must fix ceilings on prices and rents.
3. We must stabilize wages.
4. We must stabilize farm prices.
5. We must put more billions into War bonds.
6. We must ration all essential commodities which are scarce.
7. We must discourage installment buying, and encourage paying off debts and mortgages.

—PRESIDENT ROOSEVELT on Price Control, Fireside Chat, April 28, 1942.

EVERYONE can do something now to help win the war. Each of us owes it to his country and himself to do something—take immediate action—in a united determination to defeat the forces of aggression. This is the American way, an equality of privilege to sacrifice for the individual and the common welfare.

To this end, the framework of a united campaign in which every individual can take part has been outlined by the President of the United States in a seven-point program of national economy:

Tax heavily * * * keep personal and corporate profits at a reasonable rate * * * fix ceilings on prices and rents * * * stabilize wages * * * stabilize farm prices * * * put more billions into War bonds * * * ration essential commodities * * * discourage installment buying * * * pay off debts.

This is the challenge of Democracy. It bespeaks determination of mutual self-sacrifice—of equality of sacrifice by all the people—in a concerted effort to maintain the American way of life. It means that, to win the war, the American standard of living will be lowered, but lowered in the interests of ultimate individual and common good.

There is no other way to do this

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job. The loss of overseas supplies and the conversion of domestic manpower and facilities to war production make imperative this immediate course of action. It is a matter of tightening the national belt, tightening the belt of every individual, in order to protect the Nation against weakening economic maladjustments as between different people and groups of people. It helps to insure that essential goods in short supply will be allocated on the basis of equality and need, rather than that these goods should flow into the possession of persons most able to pay high prices.

This war is being waged everywhere on two fronts: The home front and the battle front. On the international front nations are divided and conquered separately; on the home front the citizens are divided and then set to conquer one another. The aggressor stands by grinning, as the people become engaged in chasing the will-o'-the-wisp of prices and profits—as they center their effort upon prices instead of production. The production of war goods becomes increasingly difficult as materials are held for higher prices—the war effort becomes frustrated. And then the physical aggressor moves in to conquer.

Since the outbreak of World War II the prices of raw commodities in the United States have increased 66 percent, wholesale prices 31 percent, retail prices 25 percent. Such price increases are common phenomena in time of war; indeed, a moderate rise in prices was needed to correct long-standing inequalities among producers, processors, and distributors, and in order to spur the war production of military goods. But now at current levels stability must be sought to prevent the return and perpetuation of pre-war inequalities, to assure fair prices and income for all so that united effort may be concentrated on the production of war goods.

Why do we need this concert of action? At bottom, because of the phenomenal and ever-increasing outpouring of Government expenditure for war purposes. In March of this year the Federal Government was spending at the rate of 100 million dollars a day for war purposes, and it is estimated that by the end of this year this rate of expenditure will be doubled. This means that we shall be spending at the rate of 1 billion dollars every 5 days, or 72 billion dollars a year. This enormous outlay of Government funds is finding its way to the citizen's pocketbook, increasing his income and buying power. Whereas, in 1941, the people of the United States spent 74 billion dollars for consumers' goods and services, this year they will have 86 billion dollars to spend, unless, through the payment of higher taxes and the purchase of war bonds, this increased buying power is reduced.

At the same time, the amount of goods that will be available for consumers will be 9 billion dollars less than was available last year, or only 65 billion dollars as compared with 74 billion dollars computed in 1941 prices. This is because an increasing degree of our productive effort is being diverted to the production of war materials instead of consumer goods. Valued at April prices, the

volume of goods available to consumers this year will be about 69 billion dollars. Thus, the prospect that consumers will have 86 billion dollars with which to buy 69 billion dollars worth of goods means that unless drastic action is taken on a broad front, this 17 billion dollars of surplus buying power—the "inflationary gap"—can do nothing but force up prices and start us on the road to inflation, with the inevitable evil consequences of deflation. It would raise the cost of living another 25 percent this year on top of the 25-percent rise that has already occurred since the outbreak of World War II.

But the economics of supply and demand are not so simple as this. Price increases build on each other. As the cost of living goes up, there is a pressing demand to adjust wages upward to meet the higher cost. Costs of production rise, and soon there is an upward spiraling of prices, wages, and costs—each trying to overtake the other, but never succeeding. Comes a day when the top is reached, and each is pitched down into depression but with the cost of living falling slower than the people's ability to buy.

Evidence accumulates in this third year of World War II of an upward spiraling of prices that must be stopped if the race between the wages of the stronger bargaining groups in the population and the cost of living is to be halted. Otherwise, the prospect is for a constant revision of wage contracts, constant bargaining and negotiation, and the certainty of interrupted production. Suspicion of undue advantage and profiteering has already been engendered between farmer and worker and worker and employer.

Inflation has already increased the cost of the war. The price rises since September 1939 will increase by 35 billion dollars the money cost of the war program now authorized. This is more than the total cost of World War I—31 billion dollars, of which 13.5 billion dollars was on account of inflated prices. Unrestrained, the cost of the war by reason of rising prices alone could be doubled—could be tripled—could rise to fantastic heights.

ALREADY Government agencies on several economic fronts have moved into action on the President's seven-point program. The Office of Price Administration extended blanket ceilings over 75 percent of the commodities comprising the American cost of living; in Congress, legislation in process deals with excess profits and the Nation's taxation program for fiscal 1943; among administrative agencies of Government, the War Labor Board is dealing with industrial organizations on wage and "overtime" problems, the Federal Reserve Board has ordered drastic restrictions on credit and installment buying, and, after a Nation-wide registration of users, sugar rationing has been instituted. Now tires and gasoline, too, are being rationed.

Action is the order of the day on all economic fronts—action to stem the forces of oppression. Action includes the stopping of the spiraling of prices in the cost of living and in the cost of the war if after the war the people are not to be burdened

with oppressive debt. Action includes finding ways to prevent the imbalance of the high purchasing power of consumers and the diminishing supply of civilian goods from losing the war.

Taken together, the purposes back of all of this action represent a comprehensive post-war planning effort by the Federal Government. It aims to win the peace as well as the war. It aims to avoid the misery of a post-war depression.

The price-control order is one of the most essential of the seven lines of action designed to diminish the 17-billion-dollar "inflationary gap." Indeed, no one of these seven lines of action can be fully effective without the other six, and the universal price ceiling would be unenforceable without the support of the other correlative measures. The pressure of excess buying power must be reduced if the universal price ceiling is to be enforced. But a prompt over-all ceiling does relieve labor from the urge to demand higher wages in order to keep up with the increased cost of living. It protects the real income of all those whose dollar income is to be curtailed by increased taxation and savings. Similarly, the businessman whose prices are fixed is assured stabilized cost of materials.

Meanwhile there is opportunity to work out programs of action on all parts of the structure—as to taxes and profits, wages and rents, debts and savings, and the rationing of essential commodities which may be scarce. As OPA stated upon announcing the price ceiling:

> Without the ceiling, the economic measures might prove to be too little and too late. Without the economic measures, the ceiling would, in the long run, become administratively unenforceable and socially harmful. Together, they can abruptly and effectively stop the inflationary spiral.

Point 1

WE MUST TAX HEAVILY and * * * keep personal and corporate profits at a reasonable rate. "Tax heavily" means that all persons in the population must bear a share of the cost of the war in proportion to their ability to pay. Already the Federal income tax has reached down into lower brackets of income than ever before; it may reach still lower. But there are the higher brackets of incomes of persons and corporations still to be taxed their proportionate share of winning the war, and lids to be put on personal and corporate war profits.

Taxation is one method of siphoning back into the Federal Treasury a part of the 17 billion dollars which constitutes the inflationary gap. But, to be most successful in doing this, it must reach that large body of citizens in the medium- and lower-income brackets who have received substantial increases in their buying power since the beginning of the war and who, in the aggregate, have a very large proportion of the total increased buying power of the consumers of this country.

Point 2

WE MUST FIX CEILINGS ON PRICES. Ceilings have been put on prices of consumer goods—at wholesale and retail levels—by order of the Office of Price Administration, acting under authority of the Emergency Price Control Act of 1942. Prices

have been stopped at the highest of March (1942) levels on 75 percent of the cost of living. The Office of Price Administration has ordered that for goods not exempted by the order all manufacturers, wholesalers, and retailers should charge prices no higher than the highest prices they charged in March and that no higher prices should be charged (by manufacturers and wholesalers after May 11; by retailers after May 18).

This action is the cornerstone of the effort to stop the upward spiraling of prices of goods that enter into the cost of living and the cost of war. Both farm and city families with low incomes stand to gain most from a general leveling of prices as most of the income of these families is spent upon necessities on which price ceilings have now been put. Commodities affected by the order include food and household sundries, apparel and yard goods, household furniture, appliances, and furnishings, hardware, ice, fuel, and automotive goods, tobacco, drugs, and toiletries. Food includes fresh beef, pork and pork products, and canned fruits, vegetables, and juices.

There are ceilings on canned salmon and canned soups, packaged flour mixes, macaroni and spaghetti, rolled oats, corn flakes, bread, crackers, fresh milk and cream, lard, vegetable shortening, sugar, coffee, cocoa, table salt, corn meal, rice, toilet paper, soap, and paper napkins. Apparel and yard goods include men's and boys' clothing, women's and girls' clothing, infants' clothing, yard goods, and footwear.

Household furniture, appliances, and furnishings include radios and phonographs, vacuum cleaners and carpet sweepers, refrigerators and ice boxes, washing machines and sewing machines, stoves and ranges, floor lamps and bridge lamps, light bulbs, ironing boards, step-on cans, floor brooms, china and pottery tableware, and cooking utensils. They include kitchen tables and chairs, studio couches and sofa beds, mattresses, bedsprings, and living-room, dining-room, and bedroom furnishings of all kinds.

All sorts of house furnishings from rugs and carpets to window shades are affected by the ceiling-price order; included also are hardware from clawhammers to axes, shovels, and saws, adult-size bicycles and bicycle tires, flashlights, ice, coke, coal, charcoal, firewood, kerosene, fuel oil, gasoline, oil, and tires and inner tubes.

OPA also recommends that State and local officials put ceilings on rents of residential properties in 323 designated "defense areas" the country over—on rents as of March 1 in most cases. The price order puts ceilings on "services" in wholesale and retail trade—on services as of March, the ceilings to go into effect on July 1.

Point 3

WE MUST STABILIZE WAGES. Wages of industrial workers have risen more than the cost of living has increased since the outbreak of the war. Those charged with carrying out the seven-point program are fully aware of the fact that unless wages are stabilized, the whole effort to prevent inflation will fail. The farmers, the factory workers, and the

munitions workers are in the best economic position in years. But there are also many people whose incomes have not increased; among these, the people of low income are hit hardest by rising costs of living.

But, by and large, the people have more money to spend than ever before. Huge sums are in hand to spend for a diminishing supply of consumer goods. The increasing competition for goods of all kinds is a growing threat to the war program—a force which, if unbridled, could prevent the Nation from obtaining the materials so urgently needed for the production of military goods. But now, with the stopping of the upward spiraling of living costs, stability is possible between prices and purchasing power.

Point 4

WE MUST STABILIZE the prices received by growers for the products of their lands. Farmers as producers are vitally concerned with the prices they receive and the prices they pay out for commodities used in the production of farm goods; as consumers, they are concerned with the prices they pay out for food, clothing, furnishings, and other goods used in living. The cost of living (for producers as well as for consumers) has risen 15 percent since the outbreak of World War II; the rise has begun to parallel that during World War I.

The average of prices received by farmers has risen about 66 percent since the outbreak of World War II; and the average of prices paid by farmers has increased about 27 percent. Prices received by farmers advanced from relatively low levels; but for the last 8 months the average of prices received by farmers has been practically at parity. In April 1942 the index of prices received was 150 percent of the 1909–14, pre-World-War-I level, and the index of prices paid was 151 percent of that of the 1909–14 period. The ratio of prices received to prices paid was 99.

Farm real estate values also have risen—but moderately—since the beginning of World War II and in March this year averaged about 91 percent of the 1912–14 level. Deep concern has been felt over the possibilities of a run-away land boom during this period of wartime emergency and an ultimate collapse such as characterized the post-war period of World War I. Effective operation of all parts of the national economic program would inevitably stabilize farm land values as well as the general price level of commodities, goods, and services.

THE EMERGENCY PRICE CONTROL ACT of 1942, the legislative authority for the price control order, provides, among other things, that no maximum price shall be established or maintained for any agricultural commodity below 110 percent of parity, the market price as of October 1, 1941, the market price as of December 15, 1941, or the average price during the period July 1, 1919, to June 30, 1929—whichever is highest. The act provides also that no maximum price shall be established on processed agricultural commodities which will yield farmers less than the highest of these four levels.

Both because of these provisions

of the basic legislation and because of administrative difficulties in conconection with perishable and seasonal commodities for which there are no standardized markets and grades, it is estimated that about one-third of the food budget is not affected by the price-control order. In other words, the consumer will find no ceiling on the prices of about one-third of the food he buys.

THE PRICE CONTROL ORDER of April 28 put no ceilings on the prices received by farmers and put no ceilings, at any point of trade, on nonprocessed domestic agricultural commodities, so long as these commodities remain substantially in their original state. It excepted also a number of processed agricultural commodities which were not yielding to farmers in March the maximum of prices provided for in the Emergency Price Control Act. These exceptions included eggs and poultry, dairy products such as butter, cheese, condensed and evaporated milk; flour, mutton and lamb, dried prunes, dry edible beans, leaf tobacco (whether dried or green), nuts (but not peanuts), linseed oil, linseed cake and linseed meal, mixed feed for animals, manure, live animals, stumpage, logs and pulpwood, wood and gum for naval stores, and naval stores prior to sale to industrial consumers or prior to the first sale to a distributor. Excepted also are farm sales of commodities processed by farmers from products produced on their own farms, if the total of such sales does not exceed $75 in any one calendar month. Such commodities include maple sirup, dressed poultry, strained honey, sausage meats, preserved fruits, and the like.

THERE IS NO CEILING IN THE GENERAL PRICE ORDER on the prices the farmer receives for any raw products, but there *are* ceilings on most of the commodities the farmer buys for use in the production of these products. To be sure, the checks which have been placed on many processed farm commodities may act indirectly as checks on the prices farmers receive for raw products beyond the stipulations contained in the Emergency Price Control Act; but the rise in prices paid by farmers for commodities used in production and living also has been checked.

THE DAIRYMAN finds, for example, no ceiling on the price he may receive for milk he sells at wholesale (other than prices contained in milk-marketing orders), nor is there any ceiling on the price he pays for mixed feed and hay. But there are ceilings on prices of all high-protein byproduct feeds except linseed cake and meal. There is a ceiling on the retail price of fluid milk and cream but no ceiling at any point of processing and distribution on butter, cheese, condensed and evaporated milk. There is a ceiling on ice cream at all points of production and distribution.

Similarly, for the POULTRYMAN there is no ceiling at any point on the prices of poultry and eggs, but there are ceilings on the prices of commodities (other than mixed feeds) the poultryman buys for use in production. And, as in the case of the dairyman and the producers of all other agricultural commodities, there

are ceilings on prices of machinery, implements, building supplies, and other goods used in the production of farm products.

The HOG GROWER finds no ceiling on the price he receives for hogs, but there are ceilings on prices of edible hog products at wholesale and retail. There is no ceiling on prices the hog grower pays for corn and other feed grains, but there are ceilings on tankage and high-protein byproduct feeds. The same situation is substantially true of BEEF CATTLE and of SHEEP and LAMBS with the exception that there are no ceilings at wholesale and retail on the prices of mutton and lamb, since the farm price of sheep and lambs in March was below the levels set in the Emergency Price Control Act.

The COTTON GROWER finds no ceilings on the prices he receives, but there are ceilings on cotton products at wholesale and retail. The WOOL grower finds ceilings on the prices for grease wool, based on its clean content at Boston, as prescribed in a special wool order. The same is true of COTTONSEED in the fats and oils group of commodities, and of MOHAIR. As to OIL CROPS in general, there are no ceilings on prices received by farmers, but there are ceilings on the processed oils, meal, and cake at wholesale and retail, except linseed oil and meal.

The producers of CORN and OTHER FEED GRAINS find no ceilings on the prices they receive for these products, nor at any other point of sale and distribution. Nor are there any ceilings on MIXED FEEDS. There are ceilings, however, on all high-protein byproduct feeds at wholesale and retail. There are no ceilings on WHEAT and FLOUR at any point of trade, but there are ceilings on packaged cake mixes and other packaged flour mixes and on bread sold at wholesale and retail.

There are no ceilings anywhere in trade on fresh FRUITS and VEGETABLES, but there are ceilings on processed fruits and vegetables sold at wholesale and retail.

Point 5

WE MUST PUT MORE BILLIONS INTO WAR BONDS. The Government finances the war by means of taxes and borrowing. Taxes have increased greatly and will increase more. But taxes are providing less than half of the money the Government needs to pay for the implements of war; the remainder must come from borrowing part of the earnings, the profits, and savings of the people both directly and through the banks. Through the sale of war bonds the Government asks merely the loan of money which it promises to pay back with interest at the end of 10 years. Sales of war bonds to date have averaged little more than 500 million dollars a month. The goal set is 1 billion dollars a month. Or let us say 12 billion dollars this year out of a total increase of more than 20 billion dollars in national income. Falling short in the sale of bonds means simply that heavier taxes must be levied to make up the total needed to prosecute the war. Taxation and the sale of war bonds are complementary measures for reducing the

size of the 17-billion-dollar inflationary gap. Both measures contribute to this end, but the sale of war bonds is different from taxation in one very important respect. The citizen will get back with interest the money he pays out for war bonds, but he will not get back the money he pays in taxes. Moreover, to the extent that inflation is controlled by the sale of war bonds, a reservoir of purchasing power is being built up for use after the war as a means of preventing a post-war reduction of purchasing power.

Point 6

WE MUST RATION ALL ESSENTIAL COMMODITIES WHICH ARE SCARCE. Industrial production has risen to unprecedented heights. But an increasing proportion of that production is of military goods; the diminishing remainder, civilian goods. Fewer civilian goods are available this year than last; but the money in hand to buy these goods is greater than ever before. In this circumstance, the rationing of goods is a vital necessity if goods are to be made available to persons of small as well as of large income. The war could easily be lost in a race for the acquisition and concentration of commodities in the hands of the few.

The supply of sugar, for example, is smaller than our total domestic needs. Therefore, sugar is rationed so that the available supply may be distributed equably among all the people—without regard to their financial condition. The man of large income is permitted to buy no more sugar than the man of small income. The same situation applies to gasoline and automobile tires. Indeed, it may be wise to ration some commodities regardless of available supplies, to husband our resources for war, to protect the people of small means, to concentrate the united effort toward winning the war. But the price-control order will tend to reduce the necessity for rationing as a means of maintaining an equitable distribution of goods in the case of those commodities of which we have adequate supplies. It will do this by preventing the bidding up of prices to a point where those in the lower income brackets find it difficult to buy.

Point 7

WE MUST DISCOURAGE INSTALLMENT BUYING, and encourage paying off debts and mortgages. In time of rising prices people habitually go into debt and assume obligations which only a continuation of the rise permits them to pay off. In recent years credit sales throughout the United States have totaled as much as 13.5 billion dollars annually. About 75 percent of the automobiles were bought on the installment plan, requiring large sums to be paid out in interest and carrying charges. Household appliances and goods of all kinds have been bought "on time," and a large part of every workingman's income has gone out as interest for the financing of purchases.

By putting checks on installment buying, by the paying off of debts and mortgages, the man of small means will have a larger sum available for savings—savings now for the

purchase of war bonds. Moving to put these checks into effect, the Federal Reserve Board now requires that charge accounts except for food must be paid by the 10th day of the second month after purchase. As to installment credit, larger down payments must be made, and the installments must be satisfied within 12 months. Cash loans under $1,500 from banks or other lenders must be paid off within 12 months. Short-term production credit, of course, will still be required by many farmers if they are to achieve their production goals. But the payment of long-term debts is a companion measure with taxation and the sale of war bonds as a means of reducing current purchasing power and controlling inflation, and it has the same effect as the sale of war bonds in putting the individual in a position better to withstand any post-war recession.

IN THIS SEVEN-POINT PROGRAM of attack on the insidious forces of economic aggression the united effort of all the people is required. Personal and corporate profits must be kept at a low level * * * ceilings on prices must be held rigid * * * stability must be had in wages and in the prices received by farmers * * * billions must be lent to the Government through the purchase of war bonds * * * taxes must be raised all along the line * * * rationing of commodities of all kinds may be needed for the equable distribution of products among all the people * * * credit and installment buying must be discouraged; debts, mortgages, and other obligations must be paid off. Action on all these points is required on all economic fronts if the physical war against aggressors is not to be lost.

Prices, wages, and profits were in better balance in March than at any time in the recent past or than they are likely to be at any time in the future, unless vigorous action is taken to stabilize as nearly as possible at the March level. This base period has been picked as a point where it is most feasible to stabilize with the least disagreement between major economic groups. That is why the President has said that to stop inflation, we must stop it now on all fronts. Any break in the dike will upset the whole program.

The seven points are the vital parts of a coordinate program of action in which each of us on the home front is privileged to make every sacrifice needed to defeat the forces of aggression. It is a program of action in which all economic interests—producer to consumer—can join hands to fight the common enemy. Already, the advance guard of destructive economic forces has appeared. To beat back these forces is our Number 1 economic task—RIGHT NOW!

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